

*Approved by
the Board of Directors
of TGC-4
Minutes of November 1, 2006
M 11/29
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Chairman of the Board of Directors
of TGC-4*

CORPORATE GOVERNANCE CODE
of Territorial Generation Company 4
(TGC-4)

**Tula
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1. INTRODUCTION

The goals of this Corporate Governance Code (hereinafter the Code) shall include improving and systemizing the corporate governance of Open Joint - Stock Company Territorial Generation Company 4 (hereinafter the Company), ensuring greater transparency of the governance of the Company and confirming the permanent readiness of the Company to follow proper corporate governance standards. In particular:

- the Company shall be governed at a proper level of responsibility and accountability so that the shareholder value is maximized;
- the Board of Directors and executive bodies shall work efficiently, for the benefit of the Company and its shareholders (including minority shareholders) and create an environment for the sustainable growth of shareholder value;
- proper information disclosure, transparency and efficient operation of risk management and internal control systems shall be secured.

Adopting, regularly improving and rigorously adhering to the provisions of this Code, the Charter of the Company and other internal documents the Company confirms its intent to contribute to the development and improvement of proper corporate governance practices.

To further strengthen confidence on the part of shareholders, employees, investors and the public the Company in preparing this Code went beyond the Russian legislative norms and included in the Code additional provisions based on generally accepted Russian and international¹ corporate governance standards.

The Company shall assume the obligations provided for by this Code and undertakes to meet the norms and principles established herein.

2. INFORMATION ABOUT THE COMPANY

Territorial Generation Company 4 (TGC-4) was registered on April 20, 2005 pursuant to a resolution of the sole founder, RAO UES of Russia (Directive of April 18, 2005 No. 94r).

The principal goal of the Company's activity is generating profit through the reliable and secure supply of heat and electricity to customers. To generate profit, the Company is entitled to perform any activities not prohibited by law. The principal activities of the Company include production and sale of electricity; production, transportation and sale of heat; operation of heat networks. The Company is an energy company the shareholders of which include both Russian and foreign legal entities and natural persons. The role of the Company in the economy of the Russian Federation is important. The activity of the Company meets the vital needs of the population and fosters the branches of economy of 11 regions of the Russian Federation.

The activity of the Company is associated with responsibility both to its shareholders and customers, the employees of the Company, the state and suppliers.

Realizing this responsibility and recognizing the importance of high-level corporate governance for the successful business of the Company and the achievement of mutual understanding among all persons interested in the Company's activity, the Company undertakes to follow in its activity the principles set forth herein and use all reasonable endeavors to ensure that the Company complies with them in its daily operations.

3. PRINCIPLES AND STRUCTURE OF CORPORATE GOVERNANCE IN THE COMPANY

3.1. Definition and Principles

By corporate governance the Company implies a set of processes ensuring corporate governance and control over its activity and including relations among the shareholders, the

¹ OECD Principles of Corporate Governance.

Board of Directors and executive bodies of the Company for the benefit of the shareholders. The Company views corporate governance as a means of improving the efficiency of the activity of the Company, strengthening its reputation and reducing costs associated with capital raising by the Company.

This Code in accordance with which corporate governance shall be carried out in the Company shall be based on the Russian law, the Corporate Governance Code recommended for application by FCSM Resolution No. 421/r dated April 4, 2002 (hereinafter the FCSM Code) and internationally accepted corporate governance principles.

Corporate governance in the Company shall rely on the following principles:

- **Accountability.** The Code shall stipulate the accountability of the Board of Directors of the Company to all shareholders in accordance with the applicable law and shall serve as a guide for the Board of Directors in developing the strategy, managing and exercising control over the activity of the executive bodies of the Company.

- **Fairness.** The Company undertakes to protect the rights of shareholders and ensure equal treatment of all shareholders. The Board of Directors shall provide to all shareholders an opportunity to receive effective protection in case of violation of their rights.

- **Transparency.** The Company shall ensure the timely disclosure of reliable information about all material facts concerning its activities, including its financial condition, social and environmental indicators, performance, ownership structure and governance of the Company and shall provide free access to such information for all interested parties.

- **Responsibility.** The Company shall recognize the rights of all interested parties provided for by the applicable law and seek to cooperate with such parties for the purposes of its development and ensuring financial sustainability.

3.2. Internal Documents

This code shall be a set of principles. Specific structures, procedures and practices of corporate governance shall be regulated by the Charter and internal documents of the Company, namely:

- Regulations on the Procedure for Preparing and Holding the General Meeting of Shareholders;
- Regulations on the Procedure for Convening and Holding the Board of Directors Meetings;
- Regulations on the Internal Audit Commission;
- Regulations on the Procedure for Convening and Holding the Management Board Meetings;
- Regulations on the Committee for Strategy, Development, Investment, Reforming and Corporate Governance under the Board of Directors;
- Regulations on the Personnel and Remuneration Committee;
- Regulations on the Reliability Committee;
- Regulations on the Audit Committee;
- Regulations on the Corporate Secretariat;
- Regulations on Branches;
- Regulations on the Information Policy;
- Regulations on Insider Information.

The above-listed internal documents of the Company are prepared in accordance with the law and with due account for the principal provisions of the Corporate Governance Code recommended for application by the FCSM (FCSM Resolution No. 421/r dated April 4, 2002). All documents listed above can be found on the web-site of the Company at <http://www.tgk-4.ru>.

3.3. Overall Structure of Corporate Governance

The system of management bodies of the Company shall include:

- the General Meeting of Shareholders: a supreme management body of the Company through which shareholders shall exercise their right to participate in managing the Company;
- the Board of Directors: a management body responsible for the development of the Company's strategy, the overall management of its activity and control over the activity of executive bodies. The Board of Directors of the Company may also establish committees under the Board of Directors.
- Committees under the Board of Directors: advisory bodies under the Board of Directors of the Company established for the prior consideration of critical issues falling within the jurisdiction of the Board of Directors.
- the Management Board, the Chairman of the Management Board and Director General: management bodies managing the daily operations of the Company and implementing the strategy defined by the Board of Directors and shareholders of the Company;
- the Internal Audit Commission: a body exercising control over the financial and economic activities of the Company, reporting directly to the General Meeting of Shareholders of the Company.

4. CORPORATE GOVERNANCE PRACTICES IMPLEMENTED BY THE COMPANY

The Company views the professional Board of Directors as an essential element of effective corporate governance. The Board of Directors shall influence the performance of the Company by carrying out overall strategic direction and exercising control over the operation of executive bodies for the benefit of the Company and its shareholders. The executive bodies of the Company responsible for managing the daily operations of the Company shall also play an important role in the governance process. Effective interaction between these two bodies and a clear distinction between their powers shall be among the key factors for ensuring proper corporate governance practices.

4.1. Board of Directors.

4.1.1. Election, term and termination of powers of members of the Board of Directors. Members of the Board of Directors shall be elected for a period until the regular Annual Meeting of Shareholders. The Board of Directors of the Company shall be elected by cumulative voting.

The Company believes that imposing limitations on the number of re-elections for members of the Board of Directors shall not meet the interests of the Company or its shareholders. Members of the Board familiar with the activities of the Company shall play an important role in ensuring proper governance.

The powers of the Board of Directors shall be governed by the Charter of the Company in accordance with the applicable law and the FCSM Code recommendations.

The total number of members of the Board of Directors is defined in the Charter of the Company.

The General Meeting of Shareholders may terminate the powers of the Board of Directors only in its entirety.

4.1.2. Independence. The law prohibits combining the positions of the sole executive body and the Chairman of the Board of Directors. As the Company sees it, the Board of Directors shall be headed by a director² which simultaneously shall not act as the sole executive body and/or member of the collegial executive body of the Company, since it shall allow the Board of Directors to perform its functions more effectively.

The composition of the Board of Directors shall ensure the proper fulfillment of duties related to exercising control and defining the strategy and main directions for the development of the Company.

²Hereinafter "member of the Board of Directors of the Company".

The Board of Directors shall be composed of no more than 25% of executive directors which simultaneously shall act as employees of the Company.

To ensure the objectivity of adopted decisions and maintain the balance of interests of various groups of shareholders the Company shall seek to have at least 3 (three) independent directors on the Board of Directors. According to the definition given by the Company, independent directors mean those who meet the following requirements for independence:

- do not act as executives or employees of the Company as of the election and during 3 years preceding the election;
- do not act as executives of any other business entity in which any executive of the Company is a member of the Personnel and Remuneration Committee under the Board of Directors;
- are not spouses, parents, children, brothers and sisters of executives of the Company;
- shall not be affiliates of the Company, with the exception of a member of the Board of Directors of the Company;
- are not parties to the commitments with the issuer in accordance with the terms of which they may acquire property (receive cash resources) valued at no less than 10 of the cumulative annual income of the aforesaid persons, with the exception of receipt of remuneration for participation in the activity of the Board of Directors of the Company;
- are not representatives of the state and/or local governments, i.e. persons which vote under written directives (instructions, etc.) from the duly authorized federal authorities, authorities of the constituent entities of the Russian Federation or local governments.

4.1.3. Structure of the Board of Directors and its committees. For the preliminary consideration of the most important issues falling under the jurisdiction of the Board of Directors, the Company shall establish the following committees of the Board of Directors:

Reliability Committee;
Audit Committee;
Personnel and Remuneration Committee;
Committee for Strategy, Development, Investment, Reforming and Corporate Governance under the Board of Directors.

The activity of all committees shall be governed by the local regulatory documents of the Company containing provisions on the composition, jurisdiction, procedure for operation of the committees and the rights and duties of their members, namely:

Regulations on the Reliability Committee;
Regulations on the Audit Committee;
Regulations on the Personnel and Remuneration Committee;
Regulations on the Committee for Strategy, Development, Investment, Reforming and Corporate Governance under the Board of Directors;

4.1.4. Procedure for operation. The Board of Directors shall hold meetings in accordance with the schedule prepared at the beginning of its term of office, which shall ensure the proper fulfillment of its duties. The Board of Directors shall hold meetings in accordance with the approved Board of Directors Action Plan, yet at least quarterly. Extraordinary meetings of the Board of Directors may be held if needed.

The procedure for operation of the Board of Directors shall be governed by the Regulations on the Board of Directors. The corporate secretary of the Board of Directors in accordance with the Approved Regulations on the Corporate Secretary shall ensure that all directors in a timely manner receive brief but comprehensive information simultaneously with the notification of the Board of Directors meeting, yet no later than eleven business days prior to each meeting.

The Board of Directors shall take minutes of its meeting. The minutes shall be signed by the Chairman of the Board and the Corporate Secretary of the Board of Directors.

4.1.5. Remuneration. The remuneration of members of the Board of Directors shall meet the market conditions and shall be established so as to ensure the retention and involvement of top-notch specialists in the operation of the Company, encourage them to fair and efficient activity in accordance with the approved Regulations on Payment of Remunerations and Compensations to Members of the Board of Directors.

The Company publicly shall disclose the information on the remuneration of members of the Board of Directors.

The Company shall not extend any loans to members of the Board of Directors³.

4.1.6. Duties of members of the Board of Directors. Members of the Board of Directors shall act in good faith and with due care for the benefit of the Company and all its shareholders. Each director shall seek to participate in all meetings of the Board of Directors.

Members of the Board of Directors shall realize their responsibility to the shareholders and believe that their principal goal is the conscientious and relevant fulfillment of duties related to the governance of the Company, which shall ensure the maintenance and growth of the value of its stock as well as the protection of shareholder rights and an opportunity for the shareholders to exercise their rights, and shall be governed by the Charter and Regulations on the Procedure for Convening and Holding the Meetings of the Board of Directors of the Company. Members of the Board of Directors shall be liable to the Company for any losses inflicted on the Company through their wrongful acts (failure to act). Any members of the Board of Directors which voted against the resolution which resulted in losses incurred by the Company or did not participate in the voting shall assume no liability.

Members of the Board of Directors shall secure the development and implementation of the Company development strategy.

The Board of Directors shall establish and maintain the necessary mechanisms of control over the operation of the Management Board of the Company, including the monitoring and evaluation of its performance.

The Board of Directors shall establish a system of clear and transparent criteria and procedures for the appointment and replacement of members of the Management Board of the Company and an efficient remuneration system for its members.

Members of the Board of Directors shall neither disclose nor use any confidential information about the Company for personal gain. Members of the Board of Directors undertake to refrain from actions which may lead to any conflict between their interests and the interests of the Company. In the event of such conflict a member of the Board of Directors undertakes to notify the other Board members thereof and abstain from voting on respective issues.

4.2. Management Board, Chairman of the Management Board and Director General

The Company realizes that directing the daily operations of the Company requires the sole executive body represented by Director General. It also admits that during the governance process difficult tasks need to be solved and a team rather than individual approach is required to solve them. In this regard the Company shall form the Management Board headed by the Chairman of the Management Board.

4.2.1. Powers. Director General and the Management Board shall direct the daily operations of the Company for the purposes of accomplishing the objectives and implementing the strategy of the Company.

4.2.2. Membership of the Management Board. Director General shall submit recommendations regarding the membership of the Management Board which shall be determined by the Board of Directors of the Company. The Management Board may be composed of no less than three persons.

³ Unless a member of the Board of Directors is simultaneously the sole executive body or a member of the collegial executive body.

4.2.3. Composition of the Management Board. The Management Board shall be composed of qualified and experienced persons, which shall ensure the efficient direction of the daily operations of the Company. Each member of the Management Board, including the Chairman of the Management Board, shall have experience, knowledge and qualifications necessary for the proper fulfillment of the duties imposed thereon.

4.2.4. Procedure for the operation of the Management Board. The Management Board shall hold regular meetings, members of the Management Board shall receive information on agenda items with due advance. The procedure for the Management Board operation shall be governed by the Regulations on the Management Board of the Company.

4.2.5. Election, term and termination of powers of members of the Director General and Management Board. Pursuant to the Charter of the Company, Director General shall be elected by the Board of Directors of the Company by a majority vote of its members participating in the meeting. Candidates for the position of Director General of the Company for election by the Board of Directors shall be proposed in the manner defined in the internal document governing the procedure for convening and holding the meetings of the Board of Directors of the Company. Pursuant to the Charter, Director General shall perform the functions of the Chairman of the Management Board. The terms and conditions of employment agreements (in particular with regard to the term of powers and the amount of payable remunerations and compensations) with Director General of the Company and members of the Management Board as well as the amendment of said agreements shall be approved by the Board of Directors of the Company.

Members of the Management Board of the Company shall be elected by the Board of Directors of the Company pursuant to a proposal by Director General of the Company.

The Board of Directors shall be entitled to adopt a decision at any time on the termination of powers of Director General of the Company, members of the Management Board and the establishment of new executive bodies. The powers of Director General and members of the Management Board shall be terminated upon the grounds established by the laws of the Russian Federation and employment agreements entered into between each of them and the Company.

4.2.6. Remuneration and performance assessment. The system of remuneration of the Director General shall be determined by the Board of Directors. Remuneration shall consist of the constant and variable parts, the latter shall depend on the meeting of a certain system of performance indicators (hereinafter the "Indicators") for executive bodies and shall be connected with their personal input in ensuring a long-term development of the Company for the benefits of its shareholders.

The Indicators shall imply a system of financial and non-financial measures influencing the quantitative and qualitative changes in performance in relation to the strategic goal of the Company.

In determining the Indicators for executive bodies the Board of Directors of the Company shall focus only on the most significant ones excluding all secondary indicators and reducing their quantity to the "key" indicators. The quantity of Indicators shall be limited (for their practicability and the quality of monitoring).

The objective of the system of Indicators shall be translating the strategy of the Company into an integrated set of its performance indicators which shall determine the principal parameters of the measurement and governance system. The set of indicators shall form the basis for developing the strategy of the Company and include quantitative characteristics for informing executive bodies of the principal success factors at present and in the future. Developing the strategy the Company shall set a goal and create an environment for achieving it.

4.2.7. Duties of executive bodies. Director General and members of the Management Board shall act in good faith and with due care for the benefit of the Company and all its shareholders.

Director General and members of the Management Board undertake to refrain from actions which may lead to any conflict between their interests and the interests of the Company. In the event of such conflict a member of the Board of Directors undertakes to notify the other Board members thereof and abstain from discussing and voting on respective issues.

The Company realizes that the experience, public relations, knowledge and qualifications of members of the Management Board, including those gained by them during their employment by the Company, open up opportunities for performing commercial activities (both private and group ones through ownership of stakes, shares) unrelated to the interests of the Company.

At the same time members of the Management Board shall guarantee that the execution of such activities:

- will not impede in any manner the fulfillment of functions as a member of the Management Board of the Company;
- will be unrelated to the utilization of tangible and intellectual resources of the Company;
- will not cause any financial damage to the Company;
- will not cause any damage to the business reputation of the Company;
- will not provoke competition for the Company.

In the event of non-fulfillment or creation of pre-conditions for the non-fulfillment of at least one of the above-listed conditions a member of the Management Board undertakes to cease any activity related to such non-fulfillment.

In order to prevent possible negative consequences for the Company members of the Management Board shall disclose to the Company any information on the execution by them of commercial activities unrelated to the interests of the Company in accordance with the procedure established by the local regulatory documents of the Company.

4.2.8. Interaction between the Board of Directors and executive bodies.

Effective corporate governance shall require an open dialog between the Board of Directors and the executive bodies of the Company. To that end, the Management Board of the Company shall submit to the Board of Directors quarterly reports on the activity of the Management Board in accordance with the Regulations on the Management Board of TGC-4.

5. SHAREHOLDERS OF THE COMPANY

5.1. Shareholder Rights and Protection of Shareholder Rights

The shareholders of the Company shall hold a set of rights in respect of the Company the observance and protection of needs to be ensured by the Board of Directors and the Management Board of the Company.

The Company's Shareholder Register shall be kept by an independent registrar. The selection and appointment of an independent registrar having all necessary technical tools and an impeccable reputation shall allow the Company to ensure the reliable and efficient registration of the rights of ownership of shares and other securities of the Company.

The shareholders shall be entitled to receive information on the activity of the Company in a regular and timely manner in an amount and in accordance with the procedure meeting the requirements of law.

For the purposes of proper observance and protection of the aforesaid right the Company shall guarantee compliance with the information disclosure requirements established by law.

The Company shall disclose financial statements in accordance with the requirements of laws of the Russian Federation and in conformity with the International Financial Reporting Standards (IFRS).

All information disclosed in any manner shall be mandatorily published on the web-site of the Company.

The shareholders owning voting shares shall be entitled to participate in the General Meeting of Shareholders and shall have the right to vote on all issues falling within its jurisdiction.

For the purposes of proper observance and protection of the aforesaid right the Company shall arrange for holding the General Meeting of Shareholders in such a way that participation of the shareholders is not associated for them with any significant financial or time losses, ensuring equal treatment of all shareholders.

The Company undertakes to provide to the shareholders any information on items of the agenda of the General Meeting of Shareholders in an amount and within the time limits which allow the shareholders to adopt reasonable decisions.

In the instances provided for by the Law and the Charter of the Company the Board of Directors shall prepare objective reasonable recommendations for the shareholders.

All information concerning the General Meeting of Shareholders shall be mandatorily disclosed on the web-site of the Company.

The shareholders shall be entitled to a portion of net income of the Company in the form of dividends.

For the purposes of proper observance and protection of the aforesaid right the Company undertakes to pay declared dividends within the time limits set by the General Meeting of Shareholders.

The rights of shareholders shall be governed by the provisions of the Charter and the internal documents of the Company.

5.2. General Meeting of Shareholders

The Company adopted the Regulations on the General Meeting of Shareholders which provides a detailed description of the procedure for the preparation, approval and adoption of resolutions by the General Meeting of Shareholders.

5.2.1. Preparation for the meeting. Each shareholder shall be entitled to participate in the General Meeting of Shareholders, vote on issues on its agenda, receive notice of such meeting with due advance and the agenda thereof as well as reliable, objective and timely information sufficient for the adoption of resolutions on any agenda items. The executive bodies of the Company shall be responsible for ensuring this process.

The Company shall have a fair and efficient procedure for submitting proposals for the agenda of the General Meeting, including motions on the nomination of candidates for the Board of Directors. The agenda of the General Meeting may not be altered upon its approval by the Board of Directors.

5.2.2. Holding of the meeting. The Company shall make all necessary efforts to ensure participation of the shareholders in the General Meeting and the voting on agenda items.

The location for the General Meeting shall be accessible by the shareholders. The registration procedure shall be convenient for the participants and ensure quick and unimpaired access to the location of the meeting.

The Company shall ensure, whenever possible, that the General meeting of Shareholders is attended by members of the Board of Directors, executive bodies, the Internal Audit Commission and the auditor of the Company and authorizes them to answer the questions of the shareholders. The shareholders shall be entitled to speak on any agenda items, make respective motions and ask questions. The Chairman of the General meeting shall ensure its effective operation.

Voting shall be by ballots.

The procedure for the calculation of votes at the General meeting shall exclude the possibility of manipulating the voting results. The functions of the counting commission shall be performed by the independent registrar of the Company.

5.2.3. Results of the meeting. The voting results and other necessary materials shall be provided to the shareholders on the day of the General Meeting or later and published in a timely manner on the web-site of the Company and in mass media.

5.3. Dividend Policy

Dividend policy shall occupy a key position, and the management of TGC-4 oriented towards the Company's income growth shall imply the implementation of a transparent and predictable dividend policy formed by the principal business owners.

Dividend policy shall provide balance between the interests of shareholders and the Company's long-term development prospects.

The procedure for determining the amount of dividends on preference shares shall not derogate from the rights of owners of ordinary shares. The dividend policy of the Company shall include:

- creating a transparent and clear mechanism for determining the amount of dividends;
- ensuring the most convenient for the shareholders dividend payment procedure;
- measures excluding any incomplete or untimely payment of declared dividends.

6. INFORMATION DISCLOSURE AND TRANSPARENCY

6.1. Information Disclosure Policies and Practices

The principal goal of the policy for the disclosure of information about the Company implemented by the Company shall be ensuring the highest possible degree of confidence in the Company on the part of shareholders, potential investors, counterparties and other interested parties by providing to the aforesaid persons information about the Company, its activities and securities in an amount sufficient for the adoption by the aforesaid persons of reasonable and informed decisions in relation to the Company and its securities.

In disclosing information about itself, the Company shall go beyond the information the disclosure of which is provided for by the regulations of the Russian Federation and shall disclose any additional information which ensures a high level of transparency of the Company and contributes to achieving the goals of the information disclosure policy implemented by the Company.

The list of the information disclosed by the Company, the procedure and time limits for information disclosure shall be determined by the Board of Directors of the Company in the Regulations on the Information Policy of TGC-4.

In disclosing information the Company shall rely on the following principles:

The principle of completeness and reliability of disclosed information in accordance with which the Company shall provide true information to all interest parties without avoiding the disclosure of any negative information about itself to the extent which allows forming the fullest idea of the Company and performance of the Company;

The principle of accessibility of information in accordance with which the Company in disclosing information shall use such channels for the distribution of information about its activity which provide free and easy access to disclosed information for shareholders, creditors, potential investors and other interested parties;

The principles of balanced information which means that the information policy of the Company shall be based on the reasonable balance of transparency of the Company for all interested parties on the one hand and confidentiality on the other hand for the purposes of exercising the shareholder rights to receive information on the activity of the Company to the maximum extent on condition of protection of information characterized as belonging to confidential or insider information;

The principle of regular and timely information disclosure which determines that the Company shall provide to its shareholders, creditors, potential investors and other

interested parties information on its activity within the time limits established by the regulations of the Russian Federation and the internal documents of the Company.

The information disclosed by the Company shall be published on the web-site of the Company. The web-site of the Company shall have an English version.

The responsibility for information disclosure shall be assumed by the executive bodies of the Company. Members of the Board of Directors shall disclose to the Company information about themselves necessary for the disclosure by the Company of information in accordance with the regulations of the Russian Federation and the Regulations on the Information Policy of the Company.

6.2. Financial Statements

The Company shall maintain accounting records and prepare financial statements in accordance with the Russian financial accounting and reporting standards. The Company shall prepare consolidated statements in accordance with the International Financial Reporting Standards (IFRS) and publish such statements on the web-site of the Company.

Financial statements shall be accompanied by detailed notes which allow the recipient of such statements to correctly interpret data on the financial performance of the Company. Financial information shall be supplemented by comments and analytical estimates from the management of the Company as well as the Report of the Company's Auditor and the Internal Audit Commission.

6.3. Control of Financial and Economic Activities

Realizing the need for reducing the probability of events which have a negative impact on the achievement by the Company of set goals and lead to losses, in particular due to the adoption of decisions based on incorrect judgments, human errors, conscientious evasion of control, and admitting a high level of the shareholders' need for protecting their investments and safeguarding the assets of the Company, the Company shall establish a system of control over financial and economic activities.

Internal control over financial and economic activities shall be targeted towards achieving the following goals:

- ensuring complete and reliable financial, statistical, management and other reporting;
- ensuring compliance with the regulations of the Russian Federation, resolutions of the management boards of the Company and the internal documents of the Company;
- ensuring that the Company's assets are safeguarded;
- ensuring that the goals set by the Company are achieved in the most efficient manner;
- ensuring the resources of the Company are used in the most efficient and cost-effective manner;
- ensuring the timely identification and analysis of financial and operating risks which may have a significant negative impact on achieving the Company's goals related to its financial and economic activities.

The system of control over the financial and economic activities of the Company shall include control procedures determined by the regulations of the Russian Federation, resolutions of the General Meeting of Shareholders and the Board of Directors of the Company and a set of bodies (functions, persons) of the Company exercising internal control: the Internal Audit Commission, the Board of Directors (directly and through the Audit Committee) and a separate function (set of functions) authorized to exercise such control.

The functions, rights, duties and responsibility of the Company's functions shall be stipulated by the organizational and directive documents of the Company.

To ensure the systematic nature of control over the financial and economic performance of the Company internal control procedures shall be performed by the duly authorized function of the Company in charge of internal control in collaboration with other bodies and functions of the Company.

Specific procedures as well as bodies and persons responsible for performing internal control procedures shall be determined by the Regulations on the Internal Control Procedures of the Company approved by the Board of Directors of the Company.

6.4. Ownership Structure

The Company shall ensure the disclosure of information on the beneficial owners of five percent or more of voting shares in the Company. The information disclosed by the Company shall also describe corporate relationship within the group of companies. The Company shall seek to ensure the transparency of the Company's equity structure.

7. RELATIONS WITH SUBSIDIARIES AND DEPENDENT COMPANIES

7.1. Principles and Practices of Interaction with Subsidiaries and Dependent Companies

The Company shall seek to promote balanced development of the holding in general based on effective corporate governance mechanisms.

The Company shall build its relationship with the subsidiaries and dependent companies (the SDCs) in accordance with the requirements of laws of the Russian Federation, the Charter and internal documents of the Company, the Charters of the subsidiaries and dependent companies.

The principal goals of interaction between the Company and its SDCs shall be as follows:

- ensuring sustainable financial development, the profitability of functioning, increasing the attractiveness of the Company and its SDCs;
- ensuring the protection of rights and legal interests of the shareholders of the Company and its SDCs;
- harmonizing relationship among the shareholders, executives and members of labor teams of the Company and its SDCs, preventing conflicts among them and within the the aforesaid groups;
- developing and implementing the coordinated and efficient investment policy of the Company and its SDCs.

The Procedure for Interaction Between TGC-4 and Business Entities in Which TGC-4 Owns Shares (Stakes) (hereinafter the "Procedure") shall be the document stipulating the main principles and provisions of corporate governance of the SDCs of the Company. In accordance with the aforesaid Procedure interaction between the Company and its SDCs shall be performed pursuant to the respective resolutions adopted by the management and supervisory bodies of the SDCs (resolutions of general meetings of shareholders, Boards of Directors, Internal Audit Commissions, Management Boards and sole executive bodies within their jurisdiction).

In addition to the aforesaid procedure the process of corporate governance of the SDCs shall be regulated by the following documents:

- Charter of the Company;
Corporate Governance Code of the Company;
- Charters of the SDCs of the Company;
Standard for organizing the activity of representatives of the Company within the management bodies of the SDCs;
- Standard for establishing the management and supervisory bodies of SDCs.

As corporate governance practices evolve, the Company shall seek to develop the principles of corporate governance in relation to its subsidiaries and dependent companies.

8. Final Provisions

This Code shall become effective upon its approval by the Board of Directors of the Company.

